

DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

**COMMAND AUDIT OF
HAYWARD AREA**



FINAL REPORT

JULY 30, 2009

M e m o r a n d u m

Date: July 30, 2009

To: Office of the Commissioner
Attention: Commissioner J. A. Farrow

From: **DEPARTMENT OF CALIFORNIA HIGHWAY PATROL**
Office of the Assistant Commissioner, Inspector General

File No.: 005.9968.A13471.010

Subject: FINAL 2008 COMMAND AUDIT REPORT OF HAYWARD AREA

In accordance with the Institute of Internal Auditors, *International Standards for the Professional Practice of Internal Auditing* §2440, issued by the Institute of Internal Auditors, Government Code §13887 (a)(2), and the California Highway Patrol Audit Charter, I am issuing the 2008 Command Audit Report of Hayward Area. The audit focused on the command's cash receipts, contracts, evidence, purchasing, reimbursable service contracts, advanced payments for predetermined services, asset forfeiture, personnel records, strategic plan reporting and fleet operations.

The audit revealed the command has adequate operations. However, some weaknesses were observed. This report presents suggestions for management to improve on some of its operations. In doing so, operations would be strengthened and the command would ensure it is operating in compliance with policies and procedures. We have included our specific findings, recommendations, and other pertinent information in the report. Hayward Area agreed with the findings and plans to take corrective action to improve its operations. The command is now required to provide quarterly updates to the Office of Inspections on the progress of their corrective action plan implementation until the command has resolved all deficiencies. Additionally, the Office of Inspections plans on conducting a follow-up review within one year from the date of the final report.

Additionally, in accordance with the *International Standards for the Professional Practice of Internal Auditing* and Government Code §13887 (a)(2), this report, the response, and any follow-up documentation is intended for the Office of the Commissioner; Office of the Assistant Commissioner, Field; Office of the Assistant Commissioner, Inspector General; Office of Legal Affairs; Office of Inspections; Golden Gate Division, and Hayward Area. Please note this report restriction is not meant to limit distribution of the report, which is a matter of public record pursuant to Government Code §6250 et seq. Furthermore, in accordance with the Governor's Executive Order S-08-09 to increase government transparency, the final audit report, including the response to the draft audit report, will be posted on the CHP's internet website, and on the Office of the Governor's webpage, located on the State's Government website.

Safety, Service, and Security

Office of the Commissioner
Page 2
July 30, 2009

The Office of Inspections would like to thank Hayward Area's management and staff for their cooperation during the audit. If you need further information, please contact Assistant Chief Ken Hill at (916) 843-3005.



M. C. A. SANTIAGO
Assistant Commissioner

cc: Office of the Assistant Commissioner, Field
Office of Legal Affairs
Golden Gate Division
Hayward Area
Office of Inspections

BUSINESS, TRANSPORTATION AND HOUSING AGENCY

DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

COMMAND AUDIT OF HAYWARD AREA

OFFICE OF INSPECTIONS, AUDITS UNIT

JULY 30, 2009

TABLE OF CONTENTS

Executive Summary.....	1
Audit Report	3
Introduction.....	3
Objective and Scope	3
Methodology	3
Overview.....	4
Findings and Recommendations.....	6
Conclusion	10
 <u>Annex</u>	
Response to Draft Report from Hayward Area	A

EXECUTIVE SUMMARY

The Commissioner has the responsibility, by statute, to enforce laws regulating the operation of vehicles and use of highways in the State of California and to provide the highest level of safety, service, and security to the people of California. Consistent with the California Highway Patrol's (CHP) 2008 Audit Plan, the Office of the Commissioner directed the Office of Inspections, Audits Unit, to perform an audit of a command selected by each Division. Golden Gate Division selected the Hayward Area.

The CHP's 2008-2009 Strategic Plan highlights the mission statement which includes five broad strategic goals designed to guide the CHP's direction. One strategic goal is to continuously look for ways to increase the efficiency and/or effectiveness of departmental operations.

The audit scope period covered the twelve months prior to the start of the audit field work. However, to provide a current evaluation of the command, primary testing was performed of business conducted during the final six months of fiscal year 2007/08.

Based on the review of the Hayward Area's operations, this audit revealed it has complied with most operational policies. However, some weaknesses were observed. The following is a summary of the identified weaknesses:

Contracts

- The command's X-number contract files did not maintain the small business certification.

Purchasing

- The command did not prepare and provide to the Purchasing Services Unit an updated designation memorandum authorizing specific command personnel to sign and approve purchase requisitions nor did they maintain a copy of the designation memorandum. (After the commander was informed of this finding during the course of the audit field work, the commander took immediate corrective actions by preparing, approving, and issuing a designation memorandum authorizing specific command personnel to sign and approve purchase requisitions.)

Reimbursable Service Contracts

- The command did not always submit the Incident Response Reimbursement Statement, CHP 735, timely.

Asset Forfeiture

- The command did not perform annual asset forfeiture training for supervisors, officers, and affected non-uniformed personnel at least once a year as outlined in departmental policy.

Fleet Operations

- The command did not perform the required quarterly parts, accessories, and fluids inventory.

Please refer to the Findings and Recommendations section for detailed information.

AUDIT REPORT

INTRODUCTION

To ensure the California Highway Patrol's (CHP) operation is efficient and/or effective and internal controls are in place and operational, the Office of the Commissioner directed the Office of Inspections, Audits Unit, to perform an audit of a command selected by each Division. Golden Gate Division selected Hayward Area.

The CHP's 2008-2009 Strategic Plan highlights the mission statement which includes five broad strategic goals designed to guide the CHP's direction. One strategic goal is to continuously look for ways to increase the efficiency and/or effectiveness of departmental operations. This audit will assist the CHP in meeting its goal.

OBJECTIVE AND SCOPE

The objective of the evaluation is to determine if the command has complied with operational policies and procedures that provide managers with reasonable, but not absolute, assurance departmental operations are being properly executed. The audit period was twelve months prior to the start of the audit field work. However, to provide a current evaluation of the command, primary testing was performed of business conducted during the final six months of the fiscal year 2007/08. This audit included the review of existing policies and procedures, as well as, examining and testing recorded transactions, to determine compliance with established policies, procedures, and good business practices. The audit field work was conducted from November 3 - 18, 2008.

METHODOLOGY

Each Division commander selected one command to be audited regarding their cash receipts, contracts, evidence, purchasing, reimbursable service contracts, and advanced payments for predetermined services. Additionally, the Division commander could select any of the following topics: asset forfeiture, fleet operations, personnel records, and strategic plan reporting. The Golden Gate Division commander selected asset forfeiture, fleet operations, personnel records, and strategic plan reporting. When preparing for the audit, and due to limited auditing resources, reimbursable service contracts was reduced to an examination of the Driving Under the Influence (DUI) Cost Recovery Program and advanced payments for predetermined services was reduced to Wide Load Services. Also, the audit of evidence was limited to guns, drugs, and money. Sample selection of areas to be audited was primarily random or judgmental. Whenever possible, the use of risk assessment was used to select a sample containing the highest probability of risk to the command. Furthermore, the auditors reviewed prior audit reports and findings.

OVERVIEW

Cash Receipts: Cash receipts appear to be processed according to departmental policy. It was determined policies and procedures are in place to ensure collection and security of cash receipts; separation of duties exist to ensure cash assets are adequately safeguarded; and cash receipt transactions are correctly recorded and maintained.

Contracts: Contracts were adequately processed, authorized, and documented in compliance with the CHP's policies and procedures. However, the required copy of the small business certification was missing from three of four tested X-number contract files.

Evidence: Evidence appears to be processed according to departmental policy.

Purchasing: Purchases appear to be processed according to departmental policy. Purchase orders are adequately processed, authorized, and documented in compliance with the CHP's policies and procedures. However, the command did not prepare and provide to the Purchasing Services Unit an updated designation memorandum authorizing specific command personnel to sign and approve purchase requisitions nor did they maintain a copy of this designation memorandum.

Reimbursable Service Contracts: The command does not always submit the Incident Response Reimbursement Statement, CHP 735, timely.

Asset Forfeiture: Asset forfeiture appears to be processed according to departmental policy. However, the command did not perform annual asset forfeiture training for supervisors, officers, and affected non-uniformed personnel at least once a year as outlined in departmental policy.

Fleet Operations: The command's fleet operations appear adequate, but could be improved. The command did not perform the required quarterly parts, accessories, and fluids inventory. As of June 30, 2008, the required quarterly parts, accessories, and fluids inventory has not been performed for the past two years.

Personnel Records: Personnel records appear to be processed according to departmental policy.

Strategic Plan Reporting: Strategic plan reporting appears to be processed according to departmental policy.

This audit revealed the command has adequate operations, nevertheless, weaknesses were discovered, which if left unchecked could have a future negative impact on the command and Department operations. These weaknesses should be addressed by management to maintain the command's compliance with appropriate laws, regulations, policies, and procedures. The findings and appropriate recommendations are presented in this report.

As a result of changing conditions and the degree of compliance with policies and procedures, the efficiency and effectiveness of operations change over time. Specific limitations may hinder the efficiency and effectiveness of an otherwise adequate operation include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, fraud, and management overrides. Establishing compliant and safe operations and sound internal controls would prevent or reduce these limitations; moreover, an audit may not always detect these limitations.

FINDINGS AND RECOMMENDATIONS

CONTRACTS

- FINDING 1:** **The command's X-number contract files did not maintain the small business certification.**
- Condition:** The command completed four X-number contracts during the audit period and all were reviewed. The review revealed three of the four X-number contract files did not contain a copy of the small business certification.
- The three X-number contracts were X-07-345-0078, X-07-345-0100, and X-07-345-0121.
- Criteria:** Highway Patrol Manual (HPM) 11.1, Administrative Procedures Manual, Chapter 23, Delegation of X Number Contract Authority, paragraph 5.e. states, "Requestor's Responsibility. Obtaining a Department of General Services (DGS), Office of Small Business and Disabled Veteran-owned Business Enterprise (DBVE) Services (OSDS), certification printout from the DGS website (www.dgs.ca.gov)."
- Recommendation** The command should comply with departmental policy by properly maintaining the small business certification.

PURCHASING

- FINDING 1:** **The command did not prepare and provide to the Purchasing Services Unit (PSU) an updated designation memorandum authorizing specific command personnel to sign and approve purchase requisitions nor did they maintain a copy of this designation memorandum.**
- Condition:** The command did not prepare and maintain the designation memorandum authorizing specific command personnel to sign and approve purchase requisitions for the audit period.
- However, after the commander was informed of this finding, during the course of the audit field work, the commander took immediate corrective actions by preparing, approving, and issuing a designation memorandum authorizing specific command personnel to sign and approve purchase requisitions. This designation memorandum was provided to PSU.
- Criteria:** HPM 11.2, Materials Management Manual, Chapter 7, Purchasing, paragraph 14.a.(5) states, "NOTE: All CHP Divisions and commands shall ensure that an updated memorandum is provided to PSU showing the typed name, title, and signature of those authorized to sign and approve

the CHP 43 (Purchase Requisition) or the expenditure of Division equipment allocations.”

Recommendation: The command should comply with the departmental policy and prepare and provide to the PSU an updated designation memorandum authorizing specific command personnel to sign and approve purchase requisitions then maintain a copy of this designation memorandum.

REIMBURSABLE SERVICES - DUI COST RECOVERY

FINDING 1: **The command does not always submit the Incident Response Reimbursement Statement, CHP 735, timely.**

Condition: During the audit period, the command prepared thirty-six Incident Response Reimbursement Statements (CHP 735). A review of ten CHP 735s revealed five (case numbers 21130CS, 19835CS, 23829CS, 5570JA, and 57894JA) were sent to FMS beyond ten days after receiving the Blood Alcohol Concentration (BAC) results. A delay of 14-29 days was observed.

Criteria: HPM 11.1, Administrative Procedures Manual, Chapter 20, DUI Cost Recovery Program, paragraph 4(b)(1), (a), and (b) states, “Completed CHP 735s, Incident Response Reimbursement Statements, based on Section A (refer to Annex B) shall be forwarded to Fiscal Management Section (FMS), Reimbursable Services Unit, within ten business days of one of the following dates:

- (a) The date BAC results of .08% or greater are received.
- (b) The date BAC results of .04% or greater are received for a commercial driver.”

Highway Patrol Manual 11.1, Administrative Procedures Manual, Chapter 20, DUI Cost Recovery Program, paragraph 4.b.(2), (a), (b), and (c) states, “Completed CHP 735s, Incident Response Reimbursement Statements, based on Section B (refer to Annex C) shall be forwarded to FMS, Reimbursable Services Unit, within ten business days of the notification of a conviction of CVC Sections 23152, 23153, or greater offense as a result of one of the following:

- (a) In the case of a refusal.
- (b) An arrest for drugs only.
- (c) A BAC of less than .08%.”

Recommendation: The command should submit the Incident Response Reimbursement Statement, CHP 735, timely.

ASSET FORFEITURE

- FINDING 1:** **The command did not perform annual asset forfeiture training for supervisors, officers, and affected non-uniformed personnel at least once a year.**
- Condition:** Annual Asset Forfeiture training for supervisors, officers and affected non-uniformed personnel was not performed at least once a year as outlined in departmental policy.
- Criteria:** Health and Safety Code, 11469(e) states, "Seizing agencies shall implement training for officers assigned to forfeiture programs, which training should be ongoing."
- HPM 81.5, Drug Programs Manual, Chapter 2, Asset Forfeiture Program (AFP), paragraph 21.a. and b. states, "a. In order to ensure uniformity throughout the Department, Division AFCs shall receive annual training from the departmental AFC coordinator in FSS. The training will encompass asset forfeiture laws, pending state and/or federal legislation relating to asset forfeiture, departmental policies, and procedures. Division AFCs will in turn provide annual training to Area AFCs, uniformed employees assigned to NTFs, canine handlers, and affected non-uniformed employees involved with asset forfeiture. The training shall be of sufficient duration to ensure full understanding of legal/policy requirements.
- b. Area AFCs shall provide training for Area supervisors, officers, and affected non-uniformed personnel at least once a year. Area AFCs shall ensure officers are made aware of local MOUs with allied agencies/NTFs regarding turnover of arrests for controlled substance violations and are familiar with the legal requirements and departmental policies/procedures related to the seizure of assets."
- Recommendation:** The command should perform annual asset forfeiture training for supervisors, officers, and affected non-uniformed personnel at least once a year as outlined in departmental policy.

FLEET OPERATIONS

- FINDING 1:** **The command did not perform the required quarterly parts, accessories, and fluids inventory.**
- Condition:** As of June 30, 2008, the command had not completed the required quarterly physical count of all parts, accessories, and fluids for the past two years. However, the command provided evidence that a quarterly physical count occurred during the third quarter of 2008.
- Criteria:** HPM 31.1, Fleet Operations Manual, Chapter 7, Automotive Parts and Supplies, paragraph 4.a.(2) and (3) states, "(2) Each quarter a person

designated by the commander shall physically count all parts, accessories, and fluids on hand. The person taking the inventory shall be someone other than a person who receives or dispenses items of inventory.

(3) Inventory records shall be dated and signed or a memorandum prepared by the person taking the inventory. These records are to be retained for a period of six months after an audit by Audits and Evaluation Unit, or three years, whichever occurs first."

Recommendation: The command should conduct the necessary inventories and maintain all inventory records in accordance with departmental policy.

CONCLUSION

Based on the review of the command's operation, this audit revealed the command has adequate operations. However, some weaknesses were observed. This report presents suggestions for management to improve on some of its operations. In doing so, operations would be strengthened and the command would operate in accordance with departmental policies and procedures.

ANNEX

A

M e m o r a n d u m

Date: May 21, 2009

To: Golden Gate Division

From: **DEPARTMENT OF CALIFORNIA HIGHWAY PATROL**
Hayward Area

File No.: 345.11329.09-028

Subject: **CORRECTIVE PLAN FOR 2008 COMMAND AUDIT REPORT OF
HAYWARD AREA**

The purpose of this memorandum is to address the audit findings listed in the Findings and Recommendations section of the Draft 2008 Command Audit Report of the Hayward Area. This audit included the review of existing policies and procedures, as well as, examining and testing recorded transactions, to determine compliance with established policies, procedures and good business practices. The audit field work was conducted at the Hayward command from November 3 – 18, 2008, by Mr. Ben Ou of the Office of Inspections.

Below is a list of Findings and proposed corrective plan for each:

CONTRACTS**Finding 1:**

The command's X-number contract files did not maintain the small business certification.

Proposed corrective plan:

The Hayward command agrees with the finding.

The clerical support unit was not familiar with this requirement until they were advised by Mr. Ou. The office supervisor now requires every X-number contract file to include a Department of General Services (DGS), Office of Small Business and disabled Veteran-owned Business Enterprise Services, certification printout from the DGS website. This will also be discussed at all future clerical support staff meetings and be included in the new employee information packet.

PURCHASING

Finding 1:

The command did not prepare and provide to the Purchasing Services Unit (PSU) an updated designation memorandum authorizing specific command personnel to sign and approve purchase requisitions then maintain a copy of the designation memorandum.

Proposed corrective plan:

The Hayward command agrees with the finding.

After the commander was informed of this finding during the course of the audit field work, the commander took immediate corrective actions by preparing, approving, and issuing a designation memorandum authorizing specific command personnel to sign and approve purchase requisitions. The Hayward Area will continue to provide PSU with an updated designation memorandum authorizing specific command personnel to sign and approve purchase requisitions and maintain a copy of the designation memorandum. This memorandum will be updated anytime the names of designated personnel changes.

REIMBURSABLE SERVICES – DUI COST RECOVERY

Finding 1:

The command does not submit the Incident Response Reimbursement Statement, CHP 735, timely.

Proposed corrective plan:

The Hayward command agrees with the finding.

The Hayward command conducted an internal audit on the Command DUI Cost Recovery Program. Based on the findings, the Hayward Area has made the following changes:

- A quarterly briefing item was prepared discussing proper procedures and timely submission of the CHP 735.
- Area has created a matrix to capture all DUI cases pending a completed CHP 735 and/or chemical test results. This matrix allows the coordinator to track any case that is pending submission and ensure all CHP 735s are completed in a timely manner and in compliance with departmental policy.
- Hayward's Court officer is obtaining weekly court information on all adjudicated cases.
- The Hayward Area has updated the internal coversheets to immediately prompt the shift sergeant of any qualifying incident that requires a CHP 735 which should avoid any delay in processing.

Golden Gate Division
Page 3
May 21, 2009

ASSET FORFEITURE

Finding 1:

The command did not perform annual asset forfeiture training for supervisors, officers and affected non-uniformed personnel at least once a year.

Proposed corrective plan:

The Hayward command agrees with the finding.

The Hayward command has recently sent an officer and sergeant to Asset Forfeiture Training. The new Area Asset Forfeiture Coordinator will conduct training for all Area uniformed and affected non-uniformed personnel at the fourth quarter training day in November 2009. Additionally, all sergeants and managers will receive annual training at the Area staff meeting which is scheduled for June 2009.

The Hayward commander felt fortunate to be selected for the 2008 Command Audit. The auditor provided excellent feedback and gave a number of tips to help Hayward run more efficiently. Although the review of the command's operation revealed the command has adequate operations, the commander is committed to strive for excellence. Management will continue to improve on its operations and in doing so will strengthen the command and fully comply with departmental policies and procedures. If you have any questions, please contact me at (510) 489-1500.



R. F. LEAL, Captain
Commander